

ORDER NO. 3716

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;  
Nanci E. Langley, Vice Chairman;  
Mark Acton; and  
Tony Hammond

Competitive Product Prices  
Inbound Parcel Post (at UPU Rates)

Docket No. MC2017-58

Competitive Product Prices  
Inbound Parcel Post (at UPU Rates)

Docket No. CP2017-86

ORDER ACKNOWLEDGING CHANGES IN PRICES  
FOR INBOUND PARCEL POST (AT UPU RATES)

(Issued December 30, 2016)

I. INTRODUCTION

The Postal Service proposes a change in prices not of general applicability for Inbound Parcel Post (at Universal Postal Union (UPU) rates), effective January 1, 2017.<sup>1</sup> The Commission analyzes the proposed prices pursuant to 39 U.S.C. § 3633(a).<sup>2</sup>

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<sup>1</sup> Notice of the United States Postal Service of Filing Changes in Rates Not of General Applicability for Inbound Parcel Post (at UPU Rates), Change in Mail Classification Schedule, and Application for Non-Public Treatment, December 19, 2016, at 1, 2 (Notice). The Notice also proposes a classification change to add an e-commerce parcel offering, also known as ECOMPRO, to Inbound Parcel Post (at UPU rates).

<sup>2</sup> In this Order, the Commission addresses the proposed price change for Inbound Parcel Post (at UPU rates) as the product currently exists, without the incorporation of the ECOMPRO classification change. This Order does not address the Postal Service's proposed classification change or proposed approval process for bilateral ECOMPRO rate discount agreements. The Commission will address those issues in a separate order.

## II. BACKGROUND

*Inbound Parcel Post (at UPU rates).* At the time it established separate product lists for market dominant and competitive products in 2007, the Commission assigned Inbound Air Parcel Post to the competitive product list.<sup>3</sup> During 2009, Air Parcel Post was bifurcated.<sup>4</sup> In Order No. 362, the existing product, Inbound Air Parcel Post, was renamed Inbound Air Parcel Post (at non-UPU rates). Order No. 362 at 8-9. In that same Order, the Commission approved the addition of a new product, Inbound Air Parcel Post (at UPU rates), to the competitive product list. *Id.* An initial review of the new product's prices indicated compliance with statutory requirements. *Id.* On June 26, 2014, the Commission accepted proposed price changes for Inbound Air Parcel Post (at UPU rates).<sup>5</sup>

On August 19, 2014, the Commission approved the Postal Service's request to: (1) transfer Inbound Surface Parcel Post (at UPU rates) from the market dominant product list to the competitive product list; (2) merge the transferred product with Inbound Air Parcel Post (at UPU rates); and (3) identify the merged product as Inbound Parcel Post (at UPU rates).<sup>6</sup> An initial rate review indicated compliance with statutory requirements. Order No. 2160 at 7. As part of Order No. 2160, Inbound Air Parcel Post

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<sup>3</sup> Docket No. RM2007-1, Order No. 43, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, October 29, 2007, at 100.

<sup>4</sup> Docket Nos. MC2010-11 and CP2010-11, Order Adding Inbound Air Parcel Post at UPU Rates to Competitive Product List, December 15, 2009 (Order No. 362).

<sup>5</sup> Docket No. CP2014-52, Order Accepting Price Changes for Inbound Air Parcel Post (at UPU Rates), June 26, 2014, at 5 (Order No. 2102). In Order No. 2102, the Commission also directed the Postal Service to provide, in future filings, a citation to where the applicable inward land rates can be located in the relevant UPU International Bureau (IB) Circular and to provide a copy of that circular. Order No. 2102 at 5. In addition, the Commission directed the Postal Service to provide an update, as part of each filing, of information and data that had been provided in the Management Analysis that had accompanied the prices proposed for Inbound Air Parcel Post (at UPU rates). *Id.* at 5-6. The Postal Service states that it filed updated information as directed by Order No. 2102. Notice at 8-9.

<sup>6</sup> Docket No. MC2014-28, Order Approving Product List Transfer, August 19, 2014, at 8 (Order No. 2160).

(at UPU rates) and Inbound Surface Parcel Post (at UPU rates) were merged into a single product identified as Inbound Parcel Post (at UPU rates). *Id.*

*Initial Commission action.* On December 19, 2016, the Postal Service filed a notice that requested approval of price changes for Inbound Parcel Post (at UPU rates), scheduled to take effect on January 1, 2017. Notice at 9. In Order No. 3677, the Commission provided public notice of the Postal Service's filing; established the instant docket for consideration of the filing's consistency with applicable statutory requirements and Commission regulations; appointed a Public Representative; and provided an opportunity to comment.<sup>7</sup>

### III. PROPOSED PRICE CHANGE

The Postal Service filed separately under seal with the Commission the prices and supporting documents it represents show compliance with 39 U.S.C. § 3633(a)(2) and 39 C.F.R. § 3015.5. See Notice at 3; *Id.* Attachment 4. The Postal Service's Application for Non-Public Treatment of those materials is included in the Notice as Attachment 1. A redacted version of the UPU IB Circular 169, dated October 31, 2016, which sets the new prices for Inbound Air and Surface Parcel Post, is included as Attachment 2. A redacted version of the UPU IB Circular 168, dated October 31, 2016, which sets the new prices for ECOMPRO, is included as Attachment 3. The certified statement required by 39 C.F.R. § 3015.5(c)(2) is included as Attachment 4. Redacted excerpts of Postal Service data transmitted to the UPU to justify bonus payments are included as Attachment 5. A copy of the Postal Service's submission to the UPU in support of inflation-linked adjustment for inward land rates is included as Attachment 6. A redacted copy of Governors' Decision Nos. 14-04 and 11-6 are included as Attachments 7 and 8, respectively. Proposed changes to the text of the Mail Classification Schedule are included as Attachment 9.

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<sup>7</sup> Notice and Order Concerning Changes in Prices for Inbound Parcel Post (at UPU Rates) and Related Classification Changes, December 20, 2016 (Order No. 3677).

The Postal Service states that prices were established by the terms of Governors' Decision No. 14-04, issued June 18, 2014. Notice at 2. The Postal Service asserts that Inbound Parcel Post (at UPU rates) should generate sufficient revenues to cover costs and satisfy the requirements of 39 U.S.C. § 3633(a)(2). See *id.* at 9.

#### IV. COMMENTS

The Public Representative filed comments on December 29, 2016.<sup>8</sup> No other comments were received. Based on her review of the financial model, the Public Representative states that it appears the prices for Inbound Parcel Post (excluding the ECOMPRO offering) should generate sufficient revenues to cover costs.<sup>9</sup> She therefore recommends that the Commission approve the price changes for Inbound Air and Surface Parcel Post (at UPU rates). *Id.* at 4.

#### V. COMMISSION ANALYSIS

The Commission reviews price changes for competitive products in terms of the criteria in 39 U.S.C. § 3633(a). These criteria prohibit the subsidization of competitive products by market dominant products (§ 3633(a)(1)); require each competitive product to cover its attributable costs (§ 3633(a)(2)); and require competitive products as a whole to cover an appropriate share of institutional costs (§ 3633(a)(3)).

The Commission has reviewed the Notice, supporting documentation, and the Public Representative's comments in light of the criteria in 39 U.S.C. § 3633(a). The Commission finds that the prices presented in the Notice should not lead to the subsidization of competitive products by market dominant products; should cover

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<sup>8</sup> Public Representative Comments on Changes in Prices for Inbound Parcel Post (at UPU Rates) and Related Classification Changes, December 29, 2016 (PR Comments). The Public Representative also filed a motion for late acceptance of her comments. Motion of Public Representative for Late Acceptance of Comments, December 29, 2016 (Motion). The Motion is granted.

<sup>9</sup> PR Comments at 2. She also states that adding ECOMPRO agreements with the same rates as Inbound Parcel Post (at UPU rates) should not increase the risk that revenues for Inbound Parcel Post (at UPU rates) will fail to cover costs. *Id.*

attributable costs; and should have a positive effect on the contribution that competitive products make to institutional costs. Accordingly, the planned rates for Inbound Parcel Post (at UPU rates) should satisfy the relevant statutory criteria and regulatory requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Additionally, as outlined in Order No. 2102, in future filings regarding price changes for Inbound Parcel Post (at UPU rates), the Postal Service must provide a citation to the relevant IB Circular (including annex and page number); a copy of the relevant IB Circular; and an update to the inflation-linked adjustment for inward land rates previously submitted.

#### VI. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission acknowledges the planned rate increase for Inbound Parcel Post (at UPU rates).
2. Consistent with Order No. 2102, the Postal Service is directed to provide, in future filings concerning prices for Inbound Parcel Post (at UPU rates), a citation to the relevant IB Circular (including annex and page number); a copy of the relevant IB Circular; and an update to the inflation-linked adjustment for inward land rates previously submitted.

By the Commission.

Stacy L. Ruble  
Secretary